

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

UNCLAS STATE 205574

E.O. 11652: N/A

TAGS: ETRD, KS

SUBJ: SSANG YONG CEMENT

FROM ASSISTANT SECRETARY OF STATE ARMSTRONG FOR AMB-
ASSADOR HABIB

REF: SEOUL 6256

1. I APPRECIATE THE INTEREST WHICH YOUR EMBASSY HAS TAKEN
IN THE SANG YONG PROJECT AND THE ASSISTANCE GIVEN THE FULLER
COMPANY. I ALSO COMPLIMENT THE EMBASSY ON ITS THOROUGH
ANALYSIS (REFTEL) OF THE FACTORS RELATIVE TO SSANG YONG
WHICH SEEM TO REFLECT A SHIFT IN THE ROKG STATED POLICY
OF FAVORING IMPORT OF U.S. EQUIPMENT OVER JAPANESE
WHENEVER U.S. EQUIPMENT IS COMPETITIVE.

2. GIVEN THE FACTS OF THE SSANG YONG CASE, I BELIEVE IT
WOULD BE BENEFICIAL IF YOU WOULD PROTEST THE ROKG
DECISION ON THIS PROJECT AS WELL AS THE APPARENT
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DEPARTURE FROM THIS AFOREMENTIONED POLICY. I UNDERSTAND

THE FULLER OFFER TO SSANG YONG FOR PLANT AND QUARRY EQUIPMENT AT DLS 70 MILLION WAS, ON AN EVALUATED BASIS, \$) 20 MILLION BELOW THE JAPANESE PRICE OF DLS 90 MILLION. ACCORDING TO FULLER, THEIR FINANCING WOULD HAVE BEEN COMPETITIVE WITH THE JAPANESE ALTHOUGH SSANG YONG NEVER SUPPLIED THE NECESSARY DATA WHICH WOULD HAVE ALLOWED A REQUEST FOR PRELIMINARY COMMITMENT FROM THE EXIMBANK. I BELIEVE THAT IF YOU RAISE THIS MATTER WITH APPROPRIATE LEVEL KOREAN OFFICIALS INFORMING THEM OF OUR DISAPPOINTMENT REGARDING THIS DEPARTURE, AND POINTING OUT THE UNUSUAL CIRCUMSTANCES INVOLVED, WE MIGHT GAIN A RECONSIDERATION OF THEIR POSITION.

3. I AM AWARE OF THE FACT THAT THE ROKG PROBABLY WILL BE RELUCTANT TO CHANGE THE DECISION ON SSANG YONG, YET I FEEL IT ESSENTIAL THAT THEY BE APPRISED OF OUR EXPECTATION THAT PROJECTS WILL GO TO THE U.S. WHEN WE ARE COMPETITIVE WITHOUT INFLUENCE FROM OTHER FACTORS. THIS OBVIOUS LAPSE IN THE PROCLAIMED ROKG POLICY IS A CONTRADICTION OF GOOD FAITH IN FURTHERING OUR TRADITIONALLY GOOD TRADE RELATIONS AND IN AMELIORATING THE U.S. TRADE DEFICIT WITH KOREA. I WOULD APPRECIATE YOUR PERSONAL ATTENTION TO THIS MATTER AND ASK THAT YOU TAKE IT UP WITH THE KOREANS AT THE HIGHESE APPROPRIATE LEVEL. KISSINGER

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